

J. K. Woollen Manufacturers v. Commissioner of Income-tax, U.P.

Civil Appeal No. 591 of 1967

[1969] 1 SCR 525 | 1968-08-02

Historical business deduction: whether the Tribunal could substitute its own view of reasonable managerial remuneration when genuine commission was paid for business purposes.

Indian Income-tax Act, 1922: sections 10(2)(x) and 10(2)(xv)

3-judge bench; unanimous judgment delivered by V. Ramaswami, J. | J. C. Shah, J. | V. Ramaswami, J. | A. N. Grover, J.

Assessment years: 1948-49

Section 10(2)(x) question reserved

The referred question concerned section 10(2)(xv); the Court expressly declined to decide the separate statutory reasonableness power under section 10(2)(x).

Fact-specific commercial-expediency finding

The result depended on genuine payment, the manager's skills, the loss-making mill's condition and the business improvement attributed to him.

Tribunal may still test reality and purpose

The Court preserved the Tribunal's power to reject sham payments or expenditure not incurred as a trader or wholly for business.

Historical statutory setting

No current deduction or related-party remuneration clearance is represented.

01 FACTS OF THE CASE

The woollen mill appointed J. P. Yaish as general manager on salary, allowance and profit-linked commission. After an initial loss and then modest profit, the mill earned enough for the agreed 25 per cent rate, producing Rs.75,465 commission for assessment year 1948-49. The officer allowed only Rs.5,000; the appellate authority raised the allowance to half, and the Tribunal compared Yaish with a later director remunerated at Rs.24,000 annually. The High Court answered the section 10(2)(xv) reference against the assessee (SCR pp.525-528; PDF pp.1-4).

Source: [Primary judgment: facts](#)

02 DISCUSSION BY THE HON'BLE COURT

The Court confined itself to whether the payment was wholly and exclusively for business under section 10(2)(xv), not the officer's power under section 10(2)(x). Commercial expediency had to be judged from the businessman's viewpoint. Although the Tribunal could reject a payment as unreal, non-trading or non-business expenditure, it could not simply determine what remuneration it thought should have been paid. The manager's qualifications, the mill's prior condition, improved orders and new products supported the agreed commission (SCR pp.528-530; PDF pp.4-6).

Source: [Primary judgment: discussion](#)

03 JUDICIAL DECISION

The Court held that the entire Rs.75,465 was laid out wholly and exclusively for the assessee's business, answered the question accordingly and allowed the appeal with costs (SCR p.530; PDF p.6).

Source: [Primary judgment: decision](#)

04 OUTCOME / IN WHOSE FAVOUR

In favour of the assessee on the section 10(2)(xv) reference. The disallowed half of the genuine managerial commission was restored; section 10(2)(x) was not decided (SCR pp.529-530; PDF pp.5-6).

Source: [Primary judgment: outcome](#)

05 AKHB REVIEW POINT

AKHB analysis: distinguish a tax authority's legitimate inquiry into genuineness and business purpose from substitution of its own remuneration scale. Document the commercial setting, employee capability and results, but treat the holding as fact-bound and preserve every separate statutory reasonableness test (based on SCR pp.528-530; PDF pp.4-6).

Source: [Primary judgment: reviewPoint](#)

SOURCE & VERIFICATION

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Full 6-page SCR source asset read in page-preserving text and visually inspected. Adjacent-report boundaries, where present, were distinguished from the target judgment.

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Exact source bytes, SHA-256 and six-page count match catalogue asset 1969_1_525_530; every page was read and visually inspected.

The source verifies Civil Appeal No. 591 of 1967, the stated bench, issue, reasoning and operative result. No exact source-hash, asset-ID, SCR-citation, docket or same-judgment match was found in the published corpus or reviewed release archive.

STATUTORY SCOPE

The decision applies section 10(2)(xv) of the repealed Indian Income-tax Act, 1922. The Court expressly did not decide the Income-tax Officer's separate power under section 10(2)(x).

LATER TREATMENT

Source checked 2026-10-11. Later judicial treatment and current statutory applicability have not been comprehensively checked; no current-law or citator clearance is represented.

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